

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

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R 212146Z APR 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 2990

C O N F I D E N T I A L SECTION 1 OF 2 SANTIAGO 2823

EO 11652: GDS

TAGS: PFOR, PINT, EGEN, CI

SUBJECT: LEIGH READS RIOT ACT TO BUSINESSMEN

REF: SANTIAGO 1867

1. SUMMARY: JUNTA MEMBER GEN. LEIGH AGAIN READ THE RIOT ACT TO ASSEMBLED LEADERS OF PROFESSIONAL AND BUSINESS ASSOCIATIONS ("GREMIOS") FOR THEIR LACK OF SUPPORT OF GOC'S SOCIAL DEVELOPMENT POLICIES, AND THEN REPEATED HIS CRITICISM FOR PRESS. IN STRONGEST LANGUAGE ANY JUNTA MEMBER HAS USED PUBLICLY, LEIGH EXCORIATED FAILURE OF THESE SECTORS TO RESPOND POSITIVELY AND WITH INITIATIVE IN FIELD OF SOCIAL ASSISTANCE UNDER GENERAL GUIDELINES LAID DOWN BY JUNTA OVER A YEAR AGO. HE WARNED THEM THAT EXCUSES ON GROUND OF SUPPOSED LACK OF SPECIFIC GOC GUIDANCE ARE UNACCEPTABLE. LEIGH GAVE LIMIT OF 45 DAYS FOR "GREMIOS" AND BUINESS TO COME UP WITH PLANS FOR ACTION, AND WARNED THAT WHAT CANNOT BE ACCOMPLISHED BY COOPERATION WILL BE IMPOSED BY LAW.

2. PUTTING URGENCY OF CHILEAN SITUATION IN WORLD CONTEXT, LEIGH TOOK PASSING SHOTS AT US FAILURE AS FREE WORLD LEADER, REFERRED SARCASTICALLY TO "NOBEL PRIZES FOR VIETNAM", AND QUESTIONED SEN. KENNEDYQJS SUPPOSED SILENCE ON "HUMAN RIGHTS
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VIOLATINGS" IN SEA. REPORTS FROM SOME PRESENT INDICATE LEIGH'S

CRITICISM WAS EVEN HARsher THAN REPORTED BY PRESS. GROWING GOC CONCERN OVER ECONOMIC/SOCIAL SITUATION, WHICH CONTRIBUTED TO RECENT CABINET CHANGES, IS REFLECTED IN THIS ATTACK. LEIGH SAID THAT HE WILL NOW "ASK" PRESIDENT PINOCHET FOR PERMISSION TO TALK TO WORKERS ON SAME SUBJECTS. LEIGH IS EMERGING SHARPLY AS ONLY JUNTA MEMBER OTHER THAN PRESIDENT PINOCHET PLAYING IMPORTING ROLE IN OWN RIGHT. END SUMMARY.

3. AIR FORCE CINC AND JUNTA MEMBER GENERAL GUSTAVO LEIGH, IN HIS ROLE AS JUNTA COORDINATOR FOR SOCIAL DEVELOPMENT, HAS CONTINUED TO DEMAND A BETTER PERFORMANCE AND GREATER CONTRIBU-
TION IN THIS AREA FROM PRIVATE SECTOR REPRESENTED BY "GREMIOS," THE ASSOCIATIONS OF PROFESSIONALS AND BUSINESSMEN. REFTEL REPORTED HIS MARCH 26 ADDRESS ON THESE LINES TO ROTARY CLUB. EVENING OF APRIL 16 LEIGH ASSEMBLED SOME 500 "GREMIALISTA" LEADERS AND IMPORTANT BUSINESSMEN AT DIEGO PORTALES BLDG., SEAT OF GOVERNMENT, TO REITERATED CRITICISM OF PRIVATE SECTOR. TO MAKE POINT ABSOLUTELY CLEAR, HE THEN CALLED PRESS IN APRIL 17 TO REPEAT WHAT HE HAD SAID. (IT IS GENERALLY UNDERSTOOD THAT SOCIAL DEVELOPMENT IS MEANT TO INCLUDE SUCH THINGS AS WORKER PARTICIPATION IN MANAGEMENT, TRAINING PROGRAMS, HEALTH AND HOUSING IMPROVEMENT, ETC.)

4. LEIGH REMINDED LEADERS HE HAD SPOKEN TO THEM ON MARCH 26, 1974, ABOUT GOC'S EXPECTATIONS OF PRIVATE SECTOR. WHILE JUNTA THEN HAD NOT SPECIFIED EXACTLY WHAT GREMIOS WERE TO DO, LEIGH MAINTAINED THAT INTENT WAS CLEAR ENOUGH. A YEAR LATER, IN ROTARY CLUB ADDRESS MARCH 26 HE CRITICIZED THEIR FAILURE TO RESPOND (REFTEL). SEVERAL GREMIOS LEADERS HAD THEN PROFESSED UNCERTAINTY OVER WHAT GOC WANTED, OR CLAIMED THEY WERE WAITING FOR CLEARER GUIDANCE FROM LONG-PROMISED SOCIAL STATUTE OF ENTERPRISE. LEIGH INDICATED THAT PINOCHET EXPECTS TO ISSUE BOTH STATUTE AND NEW LABOR CODE ON MAY 1 OR SHORTLY AFTER (SEPTEL), BUT REJECTED EXCUSES BY REPEATING THAT INTENT OF JUNTA IS VERY CLEAR AND THAT CHILEANS MUST CURE THEMSELVES OF EXPECTATION OF GOVERNMENT "PATERNALISM." AT MINIMUM GOC EXPECTS SCRUPULOUS COMPLIANCE WITH EXISTING REGULATIONS ON MINIMUM WAGE, BONUSES AND ALLOWANCES, WORK HOURS, ETC.

5. PURPOSE OF SECOND MEETING WAS TO INFORM ENTIRE PRIVATE
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SECTOR OF JUNTA CONCERN WITH "SLUGGISHNESS" OF THEIR REACTION. PRESS REPEATED SCATHING COMMENTS: LEIGH SUMMED UP PRIVATE SECTOR PROTESTATIONS OF SUPPORT FOR POLICY AS "PURE BLAH, BLAH, BLAH, WITH NOTHING CONCRETE". HE SAID PEOPLE IN THEIR POSITIONS HIDE THEMSELVES IN PRIVATE AFFAIRS AND SEARCH FOR PERSONAL GAIN, RATHER THAN COOPERATING IN SUPPORT OF GOC POLICIES. AFTER NOTING THAT CHILE IS RELATIVELY ADVANCED AND SOPHISTICATED COUNTRY WHICH HAS ALREADY BEEN THROUGH

MARXIST EXPERIENCE, HE SAID: "BUSINESSMEN MUST UNDERSTAND THAT RULES HERE ARE DIFFERENT. THERE IS A STRONG MIDDLE CLASS, AND WORKERS UNDERSTAND THEIR RIGHTS AND DUTIES."

6. VARIOUS SOURCES REPORT THAT SPEECH ACTUALLY WAS EVEN HARsher THAN PRESS INDICATED. AUDIENCE SAID TO HAVE BEEN "APPALLED", AND SOME GREMIOS LEADERS CONSIDERED RESIGNING POSTS IN PROTEST. LEIGH IS SAID NOT ONLY TO HAVE WAVED FILES ON ECONOMIC OFFENSES AT AUDIENCE, AS REPORTED IN PRESS, BUT TO HAVE SINGLED OUT SPECIFIC INDIVIDUALS PRESENT AS GUILTY OF SPECIFIC OFFENSES. HE REPORTEDLY TOLD THEM THAT THEY ARE RESPONSIBLE FOR MESS COUNTRY IS IN -- MAKING MONEY WHILE OTHERS SACRIFICE-- AND THAT "MILITARY CAN GO BACK TO BARRACKS AND WILL HAVE THEIR GUNS TO PROTECT THEM, BUT WHEN CRUNCH COMES ENTREPRENEURS WILL ALL BE HANGED IN PUBLIC SQUARE, WHICH IS NOTHING LESS THAN WHAT THEY DESERVE."

7. LEIGH GAVE DEADLINE FOR ACTION IN SAYING HE WOULD "KEEP HIS OFFICE DOOR OPEN" FOR 45 DAYS, IN ORDER TO HEAR CONCRETE PROPOSALS ON SOCIAL DEVELOPMENT AND OTHER FORMS OF EFFECTIVE COLLABORATION WITH PLANS OF GOC. THEN, "IF THEY DO NOT PAY ATTENTION TO WHAT THE GOVERNMENT ASKS, WE WILL HAVE TO DO IT BY LAW." LEIGH STRESSED POPULIST BENT OF GOC BY DENYING IT IS OF "EXTREME RIGHT", BUT DEFINED IT AS "AUTHORITARIAN". SAID AUTHORITY WOULD BE DEMONSTRATED IF AUDIENCE DID NOT REACT APPROPRIATELY. LEIGH ANNOUNCED THAT HE INTENDS TO "SPEAK TO THE WORKERS" ON THESE SAME MATTERS, IF PINOCHET APPROVES.

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ACTION ARA-10

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C O N F I D E N T I A L SECTION 2 OF 2 SANTIAGO 2823

8. GREMIO LEADERS CONSULTED BY PRESS AFTER LEIGH TALK DESCRIBED IT AS "USEFUL", "NECESSARY", "FRANK". SOME AGREED THEIR SECTOR MUST DO MORE, AND SAID THEY WILL BE MEETING WITH LEIGH SOON.

9. LEIGH PLACED LECTURE AND WARNING OF URGENCY IN CONTEXT OF WORLD SITUATION ALONG LINES OF REFTEL SPEECH BUT WITH LESS DETAIL. HE REPEATED WARNINGS ON ADVANCE OF COMMUNISM, DECLINE OF US, WITH SARCASTIC REFERENCES TO SEC. KISSINGER AND SEN. KENNETH AND FUTILITY OF TRYING TO NEGOTIATE WITH COMMUNISTS. ADDED IN PASSING A NOTE WE HAD NOT HEARD RECENTLY FROM SENIOR CHILEANS: "MULTINATIONAL ENTERPRISES ARE GUIDED ONLY BY GREED, WITH NO VALUES OTHER THAN PROFIT." UNDER THESE CIRCUMSTANCES, LEIGH MADE CLEAR, CHILE MUST UNDERTAKE SOCIAL DEVELOPMENT TO AVOID DANGEROUS INTERNAL PRESSURES.

10. COMMENT: AS WE HAVE POINTED OUT (REFTEL), SPEECH REFLECTS SERIOUS CONCERN AND GROWING FRUSTRATION OF JUNTA OVER ECONOMIC SITUATION AND ITS SOCIAL IMPLICATIONS. SOME MILITARY AND FAR RIGHT CIVILIAN POLITICAL ADVISERS VAGUELY ESPOUSE AN "INTEGRATED" SOCIETY WHERE CLASSES AND INTERESTS UNITE TO MOVE FORWARD WITH SELFLESS DISCIPLINE AND PATRIOTISM, BUT WITHOUT THOROUGHGOING COERCIVE PATTERN OF COMMUNIST STATES. THEY HAVE REPEATEDLY CALLED FOR COMPLETE CHANGE IN MENTALITY OF

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CHILEANS. LEIGH'S SPEECH RECOGNIZES THAT PREACHING ALONE MAY NOT EFFECT SIGNIFICANT CHANGES IN BUSINESSMEN'S ORIENTATION AND HABITS. MILITARY MUST ALSO BE BITTER OVER WHAT THEY SEE AS PRESENT BLIND AND SELFISH UNCONCERN OF THE ELEMENTS WHO DEMANDED MOST STRENUOUSLY THAT MILITARY OVERTHROW ALLENDE AND PROTECT THEIR INTERESTS.

11. OBVIOUS POLITICAL DANGER OF THIS APPROACH IS THAT GREMIOS MAY NOT ADEQUATELY RESPOND TO CASTIGATION, SO THAT JUNTA IS EVENTUALLY FORCED TOWARD COMPELSION, RATHER THAN VOLUNTARY "COOPERATION". GREMIOS ARE KEY ELEMENT OF JUNTA SUPPORT. OPEN OR PASSIVE RESISTANCE FROM THEM WOULD HAVE MOST SERIOUS CONSEQUENCES. MOREOVER, LEIGH'S THREAT TO "GO TO WORKERS" MAY ENCOURAGE ELEMENTS IN MILITARY WHO BELIEVE MORE MUST BE DONE FOR THE UNDERPRIVILEGED, AT WHATEVER COST. IF NEW ECONOMIC TEAM DOES NOT GET CONTROL OF SITUATION QUICKLY, MILITARY COULD SHIFT TO POLICY OF STRONG STATE INTERVENTION WITH AN ANTI-BUSINESS BIAS.

12. IN SPEAKING OUT STRONGLY AND THEN SEEKING UTMOST PUBLICITY, LEIGH IS THUS EMERGING AS MOST ACTIVE AND

INDEPENDENT FIGURE IN JUNTA, AFTER PINOCHET. WE MUST ASSUME THAT HE IS SPEAKING WITH AUTHORITY AND AGREEMENT OF PINOCHET AND REST OF JUNTA. HE IS ALSO SHOWING THAT JUNTA MEMBERS OTHER THAN PINOCHET CAN STILL PLAY STRONG, INDEPENDENT ROLE. IN FACT, LEIGH'S POWERFUL PERSONALITY CONTRASTS SHARPLY WITH INCONSPICUOUS ROLES OF NAVY'S MERINO AND CARABINEROS' MENDOZA.

13. THERE IS ONLY A WHIFF OF IT IN THE AIR, BUT IT IS CONCEIVABLE THAT FAILURE OF PRESENT ECONOMIC POLICIES TO MODERATE PRESENT HARDSHIPS COULD BRING SHIFT TO SOMETHING DISTANTLY RESEMBLING PERUVIAN-STYLE MILITARY NATIONALISM, CAREFULLY DIFFERENTIATED FROM MARXISM BUT INVOLVING GREATER GOVT. INVOLVEMENT IN ENTIRE ECONOMIC PROCESS. IN THAT EVENT IT MIGHT BE NOTED THAT LEIGH HAD SOUNDED WARNING AND DONE HIS BEST, AND IS NOT SO CLOSELY IDENTIFIED WITH DISCREDITED POLICY AS OTHERS.
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